

立法會
Legislative Council

LC Paper No. CB(1)1039/11-12
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI/1

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 20 December 2011, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

- Members present** : Hon WONG Ting-kwong, BBS, JP (Chairman)
Hon Vincent FANG Kang, SBS, JP (Deputy Chairman)
Hon Fred LI Wah-ming, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
- Members absent** : Hon Emily LAU Wai-hing, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
- Public officers attending** : Agenda item IV

Mr Gregory SO, JP
Secretary for Commerce and Economic
Development

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr Andrew LAI, JP
Deputy Commissioner for Innovation and
Technology

Agenda item V

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr Andrew LAI, JP
Deputy Commissioner for Innovation and
Technology

Prof YUE On-ching
Science Advisor
Innovation and Technology Commission

Mr Davey CHUNG
Assistant Commissioner for Innovation and
Technology

Agenda Item VI

Ms Linda LAI, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)

Mrs Candy YEUNG
Principal Assistant Secretary for Commerce and
Economic Development (Commerce and Industry)

Agenda Item VII

Miss Charmaine LEE
Deputy Secretary for Constitutional and Mainland
Affairs (2)

Mr Edwin LAU
Principal Assistant Secretary for Constitutional and
Mainland Affairs (7)

Mrs Carolina YEUNG
Senior Executive Officer (Constitutional and
Mainland Affairs) 7A
Constitutional and Mainland Affairs Bureau

Ms Selene TSOI
Principal Assistant Secretary for the Civil Service
(Conditions of Service)

**Attendance by
invitation**

: Agenda Item IV

The Hong Kong Science and Technology Parks
Corporation

Mr Anthony TAN, MH
Chief Executive Officer

Agenda Item V

Hong Kong Research Institute of Textiles and
Apparel

Mr Haider BARMA, GBS, CBE, JP
Chief Executive Officer

Hong Kong Applied Science and Technology
Research Institute

Dr Nim CHEUNG
Chief Executive Officer

Hong Kong R&D Centre for Logistics and Supply
Chain Management Enabling Technologies

Mr Simon K Y WONG
Chief Executive Officer

Nano and Advanced Materials Institute

Prof NG Ka-ming
Chief Executive Officer

Hong Kong Automotive Parts and Accessory
Systems R&D Centre

Dr YANG Ying
Chief Executive Officer

Agenda Item VI

Hong Kong Export Credit Insurance Corporation

Mr Ralph LAI
Commissioner

Ms Cynthia CHIN
General Manager

Clerk in attendance : Ms YUE Tin-po
Chief Council Secretary (1)3

Staff in attendance : Miss Rita YUNG
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Action

- I. Confirmation of minutes of meeting**
(LC Paper No. CB(1)592/11-12 -- Minutes of meeting held on
18 October 2011)

The minutes of the meeting held on 18 October 2011 were confirmed.

- II. Information papers issued since last meeting**
(LC Paper No. CB(1)512/11-12(01) -- Administration's paper on
the 2011 Hong
Kong/Shenzhen
Co-operation Meeting

LC Paper No. CB(1)559/11-12(01) -- Referral from the Bills
Committee on Inland
Revenue (Amendment)

(No. 2) Bill 2011 on promoting wider application of intellectual property rights through tax reduction

LC Paper No. CB(1)623/11-12(01) -- Administration's paper on the Mainland and Hong Kong Closer Economic Partnership Arrangement)

2. Members noted that the above papers had been issued since the last meeting. Members agreed that the item "Promoting wider application of intellectual property rights through tax reduction" should be included in the "List of outstanding items for discussion" at a future Panel meeting.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)624/11-12(01) -- List of outstanding items for discussion

LC Paper No. CB(1)624/11-12(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 17 January 2011 at 2:30 pm to discuss the following items:

- (a) Research and development of Chinese medicines;
- (b) Proposed adjustment to fees and charges under the purview of the Trade and Industry Department; and
- (c) Progress on further liberalization under the Mainland and Hong Kong Closer Economic Partnership Arrangement.

IV. Latest developments of Industrial Estates

(LC Paper No. CB(1)624/11-12(03) -- Administration's paper on latest developments of Industrial Estates

- LC Paper No. CB(1)624/11-12(04) -- Paper on the three Industrial Estates operated and managed by the Hong Kong Science and Technology Parks Corporation prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

4. At the invitation of the Chairman, Secretary for Commerce and Economic Development (SCED) briefed members on the latest developments of the Industrial Estates (IEs) managed by the Hong Kong Science and Technology Parks Corporation (HKSTPC) and the Administration's effort in identifying new land for IEs, as set out in the Administration's paper (LC Paper No. CB(1)624/11-12(03)).

Discussion

5. Mr Albert CHAN said that the contribution of the industrial sector was low and the value added to the Gross Domestic Product as well as the number of employees in this sector had been decreasing. He expressed disappointment that the Administration failed to formulate an industrial policy and had made little effort in assisting the industrial sector, thus undermining the development of industry in Hong Kong. He enquired how the Administration would promote and improve the local industrial landscape. Echoing Mr Albert CHAN's view, Dr LAM Tai-fai commented that SCED did not have sufficient knowledge and understanding of the industrial sector. He urged the Administration to pay heed to the views of the industry.

6. In response, SCED and Commissioner for Innovation and Technology (CIT) advised that due to scarcity of land and cost reasons, etc., Hong Kong was no longer a suitable location for mass manufacturing. Some of the grantees of IEs had scaled down or ceased operation, including moving the production line to the Mainland. HKSTPC had commissioned a consultancy study on IEs which was completed in 2010. Taking into account the consultant's recommendations and the latest market situation, HKSTPC had been implementing a plan to improve the utilization of IEs and to put emphasis on industries with wider benefits to the economic development of Hong Kong. New businesses involving advanced technology, high investment, high value-added and employment of more technical personnel, such as high-end data centres, pharmaceutical and other clean industries, were welcomed to apply for admission to IEs. The Administration would

continue to promote high value-added manufacturing and servicing industries to enable Hong Kong's economy to move up the value chain. Provision of IE land was part of the Administration's strategy.

7. Ms Tanya CHAN relayed the views of an electronic waste recycler on the difficulty in applying for admission to IEs. She enquired about the Administration's policy in attracting industries that contribute high value-added to IEs and Hong Kong, including clean industries or green technology projects. To promote the effective use of valuable land in IEs, Ms CHAN also suggested that the Administration should consider encouraging the grantees of IE sites to build more storeys for their projects, instead of occupying large horizontal space, thus accommodating more projects in smaller sites and releasing more land for other applicants.

8. SCED responded that IEs provided land for projects which could not be accommodated in ordinary multi-storey industrial or commercial buildings in Hong Kong. CIT and Chief Executive Officer, HKSTPC supplemented that the three IEs had already offered developed land for lease to projects involving green production of biodiesel, recycling of metal and treatment of plastic waste, etc. The Green 18 in the Hong Kong Science Park (HKSP) Phase 2 was designed to showcase the practice of green technologies. HKSP Phase 3 would also focus on the research and development of such technologies, such as energy management, renewable energy and waste recycling. In fact, HKSP was recently designated by the Ministry of Science and Technology (MOST) as a National Partner High-tech Industrialization Base for Green Technology.

9. At the request of Ms Tanya CHAN, CIT agreed to provide the number of green technology projects currently operating in the three IEs, and information on the designation of HKSP as a National Partner High-tech Industrialization Base for Green Technology by MOST.

(Post-meeting note: The information provided by the Administration was issued to members vide LC Paper No. CB(1)897/11-12(01) on 18 January 2012.)

10. Noting that many units in the multi-storey industrial buildings in Hong Kong were left idle, Dr LAM Tai-fai enquired whether the Administration had explored the cause for such situation. He also expressed disappointment that only large enterprises were admitted into IEs. As such, he enquired whether there were any support or preferential measures to facilitate local small and medium enterprises (SMEs) to be admitted into existing or the new IEs. Noting that the manufacturing costs in the Mainland had been increasing in recent years, the Chairman suggested that

the Administration should consider revitalizing those idle multi-storey industrial buildings to attract Hong Kong manufacturing SMEs to move back their production lines to Hong Kong, thus creating more job opportunities for local people.

11. In response, SCED advised that given land resources were extremely scarce and there were other competing priorities (e.g. housing and other public services), it would be a challenging task to identify suitable sites for the development of a potential fourth IE. While the development plan of the fourth IE had not yet been formulated, the Administration would seek the views of stakeholders in future as fit.

12. Deputy Commissioner for Innovation and Technology (DCIT) supplemented that in the past three years, over ten local pharmaceutical or food manufacturing enterprises were admitted to IEs. The locally-manufactured products of these enterprises could enter the Mainland market through the zero tariff preferential treatment under the Mainland and Hong Kong Closer Economic Partnership Arrangement. DCIT added that the three IEs offered developed land for lease to manufacturing and service industries with new or improved technology. The amount of investment involved for these projects would be relatively higher since the grantees would be responsible for the construction of the factory premises. On the fourth IE, DCIT said that it would be worth examining the feasibility of a new mode of operation in which factory premises could be built to facilitate the operation of high-tech SMEs in the IE.

13. At the request of Dr LAM Tai-fai, the Administration agreed to provide the number of local enterprises, in particular SMEs, currently operating in the three IEs.

(Post-meeting note: The information provided by the Administration was issued to members vide LC Paper No. CB(1)897/11-12(01) on 18 January 2012.)

14. In response to the Chairman's enquiry about the 40-hectare site in the northern part of the Ping Che/Ta Kwu Ling New Development, SCED advised that the site had been reserved for special industries which were mainly heavy industries with high-value-added industrial processes and requiring more horizontal space. The site was still at an early planning stage. The Administration aimed to commence the construction in 2021 with a view to commissioning the site in 2026.

- V. Comprehensive review of the Research and Development Centres**
(LC Paper No. CB(1)624/11-12(05) -- Administration's paper on comprehensive review of Research and Development Centres set up under the Innovation and Technology Fund
- LC Paper No. CB(1)624/11-12(06) -- Paper on Research and Development Centres set up under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (updated background brief)
- LC Paper No. CB(1)673/11-12(01) -- Submission from a member of the public dated 17 December 2011)
(*English version only*)

Presentation by the Administration and the Research and Development Centres

15. At the invitation of the Chairman, Commissioner for Innovation and Technology (CIT) briefed members on the findings and recommendations of the Comprehensive Review of the Research and Development (R&D) Centres set up under the Innovation and Technology Fund (ITF), as set out in the Administration's paper (LC Paper No. CB(1)624/11-12(05)).

16. Chief Executive Officer, Hong Kong Research Institute of Textiles and Apparel (HKRITA) advised that the performance of HKRITA had improved starting from 2011-2012 with two new collaborative projects commencing and hence raising the industry contribution to 28% for the seven-month period from April to October 2011. He highlighted that while HKRITA had the smallest establishment among the five R&D Centres, it had commenced the highest number of 51 R&D projects in the first five-year period excluding the Hong Kong Applied Science and Technology Research Institute (ASTRI) which had a longer history and was funded under Government's annual recurrent subvention. HKRITA had generated the second highest licensing income of \$5.3 million, next to ASTRI. The R&D projects of HKRITA had also won seven international awards. Several projects in the pipeline, such as the manufacturing of formaldehyde hand-held sensor and imaging colour measurement system, might have good potential for commercialization. HKRITA had established the Business

Development Division in September 2010 to promote commercialization of project deliverables, which had been gaining momentum. It would also engage agents in the Mainland to generate interest in its research deliverables. HKRITA had also strived to widen its pool of collaborating partners through the signing of a total of 18 Memoranda of Understanding with local, overseas or Mainland universities and organizations. Chief Executive Officer, HKRITA further advised that the HKRITA Board of Directors were confident that HKRITA could surpass the industry contribution target of 15% in the coming years, and achieve results which could benefit the textiles and apparel industry.

17. Chief Executive Officer, Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies (LSCM) advised that LSCM had conducted extensive R&D in radio frequency identification (RFID) technologies, and was now stepping up its work on commercialization, targeting at the logistics, warehousing, packaging and printing industries. Major stakeholders, including industry players, would be consulted. LSCM had also been working with various government departments and public bodies, including the Customs and Excise Department, Correctional Services Department and public hospitals, to deliver projects which would have good opportunities of demonstrating the potential of RFID applications. Chief Executive Officer, LSCM said that he was confident that LSCM could meet the industry contribution target in the coming years.

Discussion

18. The Chairman enquired whether the Administration had explored the reasons for HKRITA and LSCM not having achieved the industry contribution target of 15% in the first five years. Noting that the Administration might consider disbanding HKRITA and LSCM upon the expiry of the current approved funding on 31 March 2014, he expressed concern whether it would affect staff morale of the two R&D Centres.

19. In response, CIT advised that the Administration noted that textiles and clothing was a mature industry and it was hence relatively more difficult to break new grounds like nanotechnology or information and communications technologies. The Innovation and Technology Commission (ITC) had requested HKRITA to reinforce its performance, especially in facilitating commercialization. For LSCM, ITC had also been working closely with the new Chief Executive Officer to improve the operation of the R&D Centre, including boosting the level of industry contribution, delivering more projects with greater impact to the industry, facilitating a culture change in LSCM which would work on market-oriented

projects more effectively.

20. CIT supplemented that in June 2009, the Finance Committee had approved further funding for the four R&D Centres (excluding ASTRI) to meet their operating expenditure up to 31 March 2014. The Administration would observe the performance of HKRITA and LSCM for another two years and make recommendations on their future before 31 March 2014, with possible options included maintaining the status quo, disbandment, merger with an appropriate organization, etc.

21. Noting the Administration's recommendation about merging the Hong Kong Automotive Parts and Accessory Systems R&D Centre (APAS) with the Hong Kong Productivity Council (HKPC), Ms Tanya CHAN expressed concern about the autonomy of APAS in conducting R&D projects after the merger. The Chairman referred to a submission from a member of the public (LC Paper No. CB(1)673/11-12(01)) expressing views that the mandate and market position of the two organizations were fundamentally different, and that APAS would not be able to drive and co-ordinate applied R&D in the selected focus area and to promote commercialization of R&D results and technology transfer after the merger.

22. In response, Deputy Commissioner for Innovation and Technology advised that being an independent legal entity, APAS had devoted considerable amount of resources and efforts to deal with administrative and governance matters. The Administration saw a case to improve the performance of APAS and achieve higher cost-effectiveness by merging APAS with HKPC. It could facilitate closer collaboration between the two organizations in R&D projects while making greater use of HKPC's resources and experience in promoting commercialization (e.g. publicity and industry networking). APAS could then pool its resources to focus on R&D projects and technology matters, thus enhancing its R&D capacity.

23. Chief Executive Officer, APAS advised that the proposal to merge APAS with HKPC was discussed separately by both the APAS Board of Directors as well as the Council of HKPC. APAS could maintain its autonomy in conducting R&D projects since it would continue to be fully funded by the Administration after the merger. CIT supplemented that the Administration would not reduce the funding to APAS after the merger. APAS would continue to be fully funded by ITF, while HKPC would continue to receive annual subvention from the Government separately. In response to the Chairman's enquiry, CIT advised that the Administration's initial plan was to merge the two organizations around mid-2012.

VI. Governance of the Hong Kong Export Credit Insurance Corporation

(LC Paper No. CB(1)624/11-12(07) -- Administration's paper on governance of the Hong Kong Export Credit Insurance Corporation

LC Paper No. CB(1)624/11-12(08) -- Chapter 6 of Report No. 56 of the Director of Audit (Summary only)

LC Paper No. CB(1)624/11-12(09) -- Chapter 2 of Part 4 of the Public Accounts Committee Report No. 56

LC Paper No. CB(1)624/11-12(10) -- Government Minute in response to Chapter 2 of Part 4 of the Public Accounts Committee Report No. 56

<http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci1220-rpt20110331-e.pdf> -- Chapter 6 of Report No. 56 of the Director of Audit)

Presentation by the Administration

24. At the Chairman's invitation, Deputy Secretary for Commerce and Economic Development (Commerce and Industry) (DSCED(CI)) briefed members on the outcome of the review conducted by the Commerce and Economic Development Bureau (CEDB) on the governance of the Hong Kong Export Credit Insurance Corporation (ECIC), as set out in the Administration's paper (LC Paper No. CB(1)624/11-12(07)). Commissioner, ECIC supplemented that on 5 December 2011, ECIC had launched three enhanced measures to assist Hong Kong exporters, especially small and medium enterprises (SMEs), in coping with the upcoming challenges and exploring the emerging markets amid current difficult trading environment. These measures included waiver of annual policy fee for one year, provision of three free credit assessments and consulting service for buyers, and shortening of the processing time for credit limit applications.

Discussion

25. The Chairman declared that he was a former member of the Advisory

Board of ECIC.

26. Mr Jeffrey LAM declared that he was a former Chairman of the Advisory Board of ECIC. Noting that CEDB met with ECIC on a half-yearly basis to review its performance as well as other management and operational matters including internal audit, human resource planning, reinsurance arrangement and plans for new services, he considered that the existing governance structure of ECIC was appropriate as it allowed flexibility in ECIC's day to day operation. He also welcomed the three enhanced measures launched by ECIC recently to assist Hong Kong SMEs to tide over the current difficult trading environment.

27. DSCED(CI) advised that pursuant to the recommendations of the Director of Audit, the Administration had been working with ECIC to implement improvement measures and follow-up actions to enhance ECIC's governance and operation. The Administration had further stepped up the monitoring by requiring ECIC to submit its annual corporate plan/budget to the Secretary for Commerce and Economic Development for formal approval. The Administration would continue to assess how effectively ECIC discharged its public mission through the annual corporate plan/budget and the regular liaison and housekeeping meetings with ECIC.

28. Ms Tanya CHAN expressed concern about the low attendance of members at the meetings of the Advisory Board or its sub-committees, and the high staff turnover of ECIC. She enquired about measures to be taken to improve the attendance of members at these meetings.

29. Commissioner, ECIC responded that members of the Advisory Board and its sub-committees acknowledged the importance of attendance at these meetings. ECIC would arrange phone-in facilities for conference calls during meetings to facilitate members' participation in case they were away for business trips or had other engagements, and would invite these members to submit written comments. On staff turnover, Commissioner, ECIC advised that the staff turnover rate of ECIC had decreased from about 21% in 2009-2010 to about 15% in 2010-2011. To address the staff turnover problem, ECIC had introduced some measures to enhance staff communication and training for new staff. Regular remuneration review exercise had also been conducted to ensure that staff compensation was in line with the market.

30. At the request of Ms Tanya CHAN, DSCED(CI) and Commissioner, ECIC agreed to provide for members' perusal the details of the guidelines for determining meeting agenda for the ECIC Advisory Board and its sub-committees, and the details of the three enhancement measures launched

by ECIC on 5 December 2011 to assist Hong Kong exporters and the utilization of these measures.

(Post-meeting note: The information provided by ECIC was issued to members vide LC Paper No. CB(1)1011/11-12(01) on 6 February 2012.)

31. Mr Andrew LEUNG declared that he was a long time user of ECIC's products and services. He considered that the existing governance structure of ECIC was appropriate and required no major change. He welcomed the three enhancement measures launched by ECIC recently and called on ECIC to provide further support to Hong Kong exporters, especially SMEs, in view of the uncertain global trade prospects. Noting that ECIC might be exposed to higher level of risks when there was change to the scope of its products and services, he opined that the Administration should keep its governance to ensure that ECIC remained capable of managing its risks.

32. DSCED(CI) responded that following the launch of the three enhancement measures on 5 December 2011, the Administration and ECIC would keep in view the effectiveness of these measures and explore the feasibility of other support measures, such as extending ECIC's services from Hong Kong exporters' wholly-owned subsidiary companies to their other subsidiary companies outside Hong Kong, as suggested by the industry.

VII. Rent allowance for officers posted to the Mainland and Taiwan

(LC Paper No. CB(1)624/11-12(11) -- Administration's paper on rent allowance for officers posted to the Mainland and Taiwan

LC Paper No. CB(1)624/11-12(12) -- Paper on rent allowance for officers posted outside Hong Kong prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

33. At the invitation of the Chairman, Deputy Secretary for Constitutional and Mainland Affairs (2) (DSCMA(2)) briefed members on the proposal to rationalize the current system for rent allowance (RA) payable to officers posted to offices in the Mainland and Taiwan under the Constitutional and

Mainland Affairs Bureau and on secondment to organizations in the Mainland and Taiwan. Details of the proposal were set out in the Administration's paper (LC Paper No. CB(1)624/11-12(11)).

Discussion

34. In response to the Chairman's enquiry about the details of the proposed annual and comprehensive reviews of the RA rates for the Mainland and Taiwan, DSCMA(2) advised that as rental markets were volatile, having regard to the options put forward by the consultant, the Administration proposed to review the RA rates for the Mainland and Taiwan annually with reference to suitable city-specific rental indices provided by reputable consultants or local government authorities. In normal circumstances, adjustment to the RA rates would be made for index movement equal to or greater than + or – 5%. The Administration also proposed to conduct a comprehensive review once every five years on top of the annual adjustment. The engagement of consultancy to undertake comprehensive reviews would be conducted in accordance with the procurement procedures of the Government.

35. The Chairman concluded that the Panel supported in principle the proposed RA mechanism for officers posted/seconded to the Mainland and Taiwan.

VIII. Any other business

36. There being no other business, the meeting ended at 4:24 pm.